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**Department of Community, Trade and Economic Development**

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**Agency: 103**

**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-16

**Finding:** The Department of Community, Trade and Economic Development (CTED) does not have adequate internal controls over the processing of expenditures through the Agency Financial Reporting System (AFRS).

**Resolution/Status:** The Department has taken the following corrective actions:

## In January 2004, CTED's Accounting Services immediately deleted AFRS access for two program staff and changed all Grant Management Analysts access to AFRS to "view only."

## CTED's Administrative Services Division prepared draft policies and procedures documenting agency processes for granting and monitoring access to AFRS. The document was finalized and adopted in December 2004.

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## Status of Audit Resolution

December 2004

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**Department of Community, Trade and Economic Development**

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**Agency: 103**

**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-24

**Finding:** The Department of Community, Trade and Economic Development (CTED) did not follow bidding regulations when it solicited bids for the purchase of 25 modular bunkhouses for the Monitor Park Migrant Housing Camp.

**Resolution/Status:** In August 2003, CTED's Housing Services Division distributed applicable statutes and General Administration bidding requirements to appropriate existing Division staff. Also, the Division instructed all staff to always use General Administration procurement services. Former Division staff involved with the cited procurement left state employment on May 31, 2002. The supervisor of the involved staff left state service on April 30, 2003.

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**Department of Community, Trade, and Economic Development**

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**Agency: 103**

**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-25

**Finding:** The Department of Community, Trade, and Economic Development (CTED) Housing Services Division did not purchase farm worker facilities in compliance with state regulations.

**Resolution/Status:** CTED's Housing Services Division verified in August 2003 that existing appropriate Housing staff have access to and understand state procurement policies and procedures. These policies and procedures have been added to the appropriate desk manual.

The Division's contract with North Columbia Community Action Council (NCCAC) required NCCAC to obtain insurance naming CTED as an additional insured. The Division has obtained documentation that NCCAC included these trailers on Policy SCP0413435 with Western Heritage Insurance Company.

The Department recorded these trailer-based facilities on the state's capital asset system on August 15, 2003.

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**Department of Community, Trade, and Economic Development**

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**Agency: 103**

**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-31

**Finding:** The Department of Community, Trade, and Economic Development (CTED) is not adequately administering state housing assistance funds awarded in the form of forgivable loans.

**Resolution/Status:** The Department does not concur with this finding. Below is the Department's response to the auditor's recommendation:

- €# An external consultant was hired in March 2004 to assess and provide recommendations concerning Housing Trust Fund policies and procedures. Recommendations are expected in December 2004. Future direction will be based on an analysis of the consultant's recommendations. No new forgivable loans were issued after Fiscal Year 2003.
- €# Draft written policies are currently being used pending formal inclusion in the Housing Trust Fund Handbook. Initial stakeholder involvement in Handbook changes has been started. Loan modification criteria and Housing Trust Fund Handbook policies will be finalized by January 2005.
- €# A calendar year 2004 Monitoring Priority List was based on high risk (all projects) and federal regulatory mandates (only HOME projects). Monitoring visits have been completed or are scheduled within calendar year 2004. Risk analyses of the calendar year 2003 Annual Reports, received in June 2004, are currently in progress to determine the 2005 Monitoring Priority List.

In July 2004, ninety-nine percent of all loan documents were reviewed by the Housing Services Division to determine the actual loan type based on contract language. Results have been recorded in the Division's modified data system. The proper Agency Financial Reporting System (AFRS) recording method is still under discussion. It is estimated that the proper AFRS recording method for all loan and grant types will be determined by June 2005.

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**Department of Community, Trade, and Economic Development**

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**Agency: 103**

**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-32

**Finding:** The Department of Community, Trade and Economic Development (CTED) is not complying with state regulations for collection of overdue loan payments in several of its loan programs.

**Resolution/Status:** CTED's Economic Development Division (EDD) is taking the following corrective actions to address the conditions noted in the Old Growth Timber Program (Timber) and Columbia River Gorge Program (Gorge):

⌘ EDD agrees there are insufficient written procedures for monitoring and collection of past due loans in the Timber and Gorge loan programs. However, EDD is monitoring the performance of these loans. As a matter of standard operating procedures, the same approved procedures used with other EDD loan programs have been followed. CTED has provided extensive documentation showing a range of collection efforts and follow up actions taken regarding the four past due loans identified by the State Auditor's Office, including notices of past due payments, telephone calls, legal correspondence and court intervention. Program-specific procedures for the Timber and Gorge loan programs have been drafted.

⌘ EDD agrees that upper management in CTED does not currently receive regular aging reports on these loan programs, although the unit level status is reviewed monthly. Additionally, the loan boards for each program receive financial reports and delinquency/aging reports as part of their meeting packets. In January 2004, EDD produced the first aging report. Since April 2004, regular aging reports have been prepared and reviewed.

⌘ In July 2004, EDD obtained a write-off decision for Gorge loans and had staff identify other loans that should be written off. Those recommendations were forwarded to their respective loan boards for review and approval.

CTED's Housing Services Division has taken the following corrective actions to address the conditions noted in the Housing Trust Fund (HTF) Program:

⌘ In December 2003, written procedures for collection of past due accounts were finalized. Since April 2004, aging reports for any time period are available for management review. Since January 2004, the CTED has continually improved communication between Accounting Services and the Housing Services Division to ensure necessary information is recorded properly in the Agency Financial Reporting System (AFRS) in accordance with the requirements of the Office of Financial Management.

⌘ The Housing Services Division data system was modified in April 2004 to better track actions taken related to monitoring and collection of past-due accounts.

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**Department of Community, Trade, and Economic Development**

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**Agency: 103**

**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-56

**Finding:** The Department of Community, Trade and Economic Development (CTED) did not comply with federal requirements for time and effort reporting and suspension and debarment in the federal HOME Investment Partnership Program.

**Resolution/Status:** The Department has taken the following corrective actions to address the conditions noted in the HOME program finding on time and effort reporting and suspension and debarment requirements:

## Time and Effort Reporting: For compliance with the time and effort requirement for staff who work solely on one federal grant or activity, CTED revised the timesheet template to include a time and effort certification statement. All supervisors, or their designee, are required to review the timesheets and sign the certification semi-monthly.

Housing Division staff who charge their time to the HOME program and other activities are currently using semi-monthly timesheets to track time spent on the HOME program.

## Suspension and Debarment: The basis of this finding was that CTED did not collect required certification forms from all of its subrecipients and potential contractors. The auditors also noted that CTED did not consult the federal List of Excluded Parties before awarding any contracts. Subsequent to the audit finding the federal rule has been changed to no longer require a certification form. The current federal rule requires either language in the contract or consultation with the List of Excluded Parties.

To satisfy rule requirements in existence in the audit year, CTED's Administrative Services Division communicated the old suspension and debarment requirements to all Department employees. Program managers were required to review their current practices, determine if compliant and when necessary correct any non-compliant issues.

The Housing Services Division, HOME program, decided to require suspension and debarment certifications for all of its construction-related contractors.

The HOME program has:

- As of January 2004, required all future subrecipients and contractors receiving awards for HOME funds for construction projects to sign and submit the U.S Department of Housing and Urban Development (HUD) form 2992, Certification Regarding Debarment and Suspension before contracts are executed.
- Obtained a completed HUD form 2992 certification from all of the current 2003 subrecipients and contractors using HOME funds for construction projects. This was completed by April 30, 2004.
- Updated the Housing Finance Unit (HFU) contract - General Terms and Conditions, Section 7.01 Certification Regarding Debarment, Suspension, or Ineligibility to include the requirement for subrecipients and contractors to sign and submit HUD form 2992. This was completed by January 31, 2004.

**Status of Audit Resolution**

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**Department of Community, Trade, and Economic Development**

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**Agency: 103**

To recognize the revised rules on suspension and debarment, including the phasing out of HUD form 2992, the Administrative Services Division issued a new Department policy on suspension and debarment in June 2004.

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**Department of Community, Trade, and Economic Development**

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**Agency: 103**

**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-57

**Finding:** The Department of Community, Trade and Economic Development (CTED) did not comply with federal requirements for time and effort reporting in the federal Low Income Housing Energy Assistance Program (LIHEAP).

**Resolution/Status:** The Department is taking the following corrective actions to address the conditions noted in the LIHEAP Program finding on time and effort requirements:

- ## For compliance with the time and effort requirement for staff who work solely on one federal program, CTED revised the timesheet template to include a time and effort certification statement. All supervisors, or their designees, are required to review the timesheets and sign the certification semi-monthly. This will be completed by December 31, 2004.
- ## CTED staff who charge their time to LIHEAP and other activities will charge their time based on actual time spent on various projects. This will be completed by December 31, 2004.

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